



KARDAN N.V.

Q3 and 9M 2018

29 November 2018



# Financial Highlights Q3 2018

Net profit (loss) in € million	Q3-2018	Q3-2017
Real Estate (development and investment property)	(4.4)	(4.3)
Water Infrastructure (discontinued operations)	0.9	0.1
Other – Avis (discontinued operations)	-	0.6
<b>Total Operations</b>	<b>(3.5)</b>	<b>(3.6)</b>
Holding (Corporate Finance and G&A)	(9.4)	7.7
<b>Total attributable to Kardan equity holders</b>	<b>(12.9)</b>	<b>4.1</b>
Other comprehensive income (expense)	(11.1)	(4.2)
<b>Total comprehensive income (expense)</b>	<b>(24.0)</b>	<b>(0.1)</b>



# Financial Highlights 9M 2018

Net profit (loss) in € million	9M-2018	9M-2017
Real Estate (development and investment property)	(11.5)	(9.5)
Water Infrastructure (discontinued operations)	1.8	2.3
Other – Avis (discontinued operations)	0.9	2.2
<b>Total Operations</b>	<b>(8.8)</b>	<b>(5.0)</b>
Holding (Corporate Finance and G&A)	(15.2)	(10.8)
<b>Total attributable to Kardan equity holders</b>	<b>(24.0)</b>	<b>(15.8)</b>
Other comprehensive income (expense)	(14.9)	(20.6)
<b>Total comprehensive income (expense)</b>	<b>(38.9)</b>	<b>(36.4)</b>



Kardan N.V. (company only, in € million)	30 September 2018	31 December 2017
Total Assets	358.4	380.0
Total Equity	(49.8)	(4.4)
Equity/Total assets (%)	(13.9%)	(1.2%)

- The shareholders' equity of Kardan N.V. decreased from € 4.4 mn negative as of 31/12/2017 to a deficit € 49.8 mn as of 30/9/2018, due to
  - The loss in the period
  - First implementation of two new accounting standards (IFRS 9 and IFRS 15) which was reflected in a retrospective adjustment of € 6.6 mn, net to the opening balance of shareholders' equity
  - Equity was also heavily affected by a foreign exchange negative impact of € 14.4 mn, mainly due to the erosion of the Angolan currency against the EUR, with respect to TGI's investment in a subsidiary in Angola, and by the devaluation of the RMB against the EUR with respect to investment property in China
- The Company did not meet the debt coverage ratio financial covenant as defined in the Deeds of Trust for the 4<sup>th</sup> consecutive quarter
- The Company's subsidiaries met their financial covenants as at 30/9/2018, with the exception of one subsidiary, which obtained a waiver after the balance sheet date



- **Real estate operations** generated a net loss of € 11.5 mn in 9M 2018 (9M 2017: loss of € 9.5 mn) (Q3 2018: net loss of € 4.4 mn, Q3 2017 net loss of € 4.3 mn), reflecting:
  - High interest expenses on the Dalian project construction loan
  - A negative revaluation of investment property in Q2 2018,
  - Low delivery of residential units in the joint venture projects
- **Water Infrastructure operations** contributed a net profit of € 4.0 mn in 9M 2018 compared to € 1.9 mn in 9M 2017; net profit attributable to equity holders of € 1.8 mn in 9M 2018 (9M 2017: € 2.3 mn net profit), impacted by several one-off expenses

## Kardan NV

- Net loss to equity holders of €12.9 mn in Q3 2018 (Q3 2017: net profit of € 4.1 mn), including € 3.6 mn negative currency and Israeli CPI impact (Q3 2017 € 14.0 positive impact)
- 9M 2018: € 24 mn net loss to equity holders (9M 2017: net loss of € 15.8 mn), mainly due to heavy finance expenses, including net positive impact of foreign exchange differences and change in the Israeli CPI of € 1.2 million (9M 2017 € 7.7 million positive impact)



## Other

- Avis Ukraine continued to show good results of €0.6 million in Q3 2018.
  - Following management resolution to sell the investment in Avis Ukraine, the investment is presented as held for sale and therefore no equity earnings were recognized in the third quarter
- The February 2018 scheduled payment of principal and interest to the Company's debenture holders (series A and B) amounting to approximately €110 million were not repaid up to and including today
  - The negotiations with the debenture holders (series B) are still ongoing. The Company is close to completing the negotiations with the trustee to debenture holders series B. However, final settlement also depends on reaching consent with debenture holders A with whom negotiations have not yet commenced



### **Result from operations**

- Amounted to €3.1 mn profit (9M 2017: € 9.5 mn profit), mainly due to a lower contribution from joint venture activities following less deliveries

### **Revenue from sale of apartments**

- Amounted to € 69.9 mn (9M 2017: € 2.8 mn) as building B in Europark Dalian project was handed-over (sold as one unit), and delivery of 29 units in building A (18 deliveries in 9M 2017)
- 63 apartments were sold in building C2 in the first 9 months of 2018, totaling apartments sold in this building to 157 to date
- In July 2018 sale of the new C1 tower commenced, 19 apartments were sold in Q3 2018

### **SG&A costs**

- Around the same level as 9M 2017 at € 2.1 mn, including marketing activities of the new C towers

### **Equity earnings**

- contributed a profit of € 1.9 mn (9M 2017: € 10.2 mn), as a result of less deliveries of apartments



## Real Estate Highlights – 9M 2018 Development (continued)

	<b>9M 2018</b>	<b>9M 2017</b>	<b>FY 2017</b>
Total apartments sold in period	695	992	1,242
Total apartments delivered in period	627	1,057	1,397
Apartments Dalian sold in period	97	72	124
Apartments Dalian delivered in period	291	18	42
Total apartments sold, not yet delivered	1,750	2,030	1,703





## **Result from operations**

- Operational loss of € 3.8 mn (9M 2017 € 3.2 mn loss)

## **Total revenues**

- Amounted to € 4.2 mn (9M 2017: € 4.3 mn), including a one-time adjustment of a rental contract in Galleria Dalian shopping mall
- Positive trend in increasing footfall and occupancy continues
- The occupancy rate rose to approximately 91% at 30 September 2018 (31 December 2017: 81%)

## **SG&A costs**

- Decreased to € 3.2 mn (9M 2017: € 3.9 mn) due to savings, mainly in marketing costs

## **Value**

- The value decreased from € 221 mn as per year-end 2017 to € 213 mn as per 30/9/2018, as a result of a negative FX impact combined with a negative revaluation of € 2.1 mn in Q2 2018



### **Net Result:**

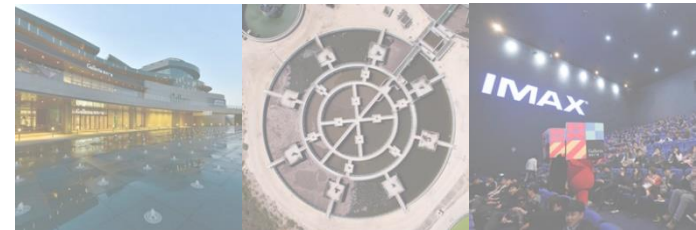
- Net loss of € 11.5 mn (9M 2017: € 9.5 mn) mainly due high financing expenses on the Europark Dalian construction loan
- Operational loss of € 0.7 mn (9M 2017: profit of € 6.3 mn)

### **Financing expenses (net):**

- Amounted to € 7.5 mn (9M 2017: € 12.3 mn), including a positive FX impact of € 0.5 mn versus a negative FX impact of € 3.7 mn in 9M 2017

### **Income tax expenses :**

- Amounted to € 1.5 mn, mostly related to land value added tax for building B and tax on dividend from JV's (9M 2017 € 1.4 mn)



- Revenue 9M 2018 at € 117.1 mn compared to last year (9M 2017: € 116.5 mn)
- The result from operations amounted to € 6.0 mn in 9M 2018 (9M2017: € 5.0 mn)
- Gross margin increased from 14.1% in 9M 2017 to 16.5% in 9M 2018 following improved profitability in a number of projects
  - In Q3 2018 there were some delays in revenue recognition in projects in Africa. The gross margin decreased to 14.3% compared to 17.6% in Q3 2017, due to lower performance of engineering business in Israel and of projects in CEE
- Financing expenses increased to € 0.9 mn mostly due to utilization of a credit line. In 9M 2017 the finance income of € 0.6 mn was the result of a positive FX impact
- Total profit attributable to equity holders amounted to € 1.8 mn (9M 2017 € 2.3 mn profit)



- In total, new orders of US\$ 280 mn were recorded in 9M 2018, bringing the order backlog to US\$ 809.3 mn (31 December 2017: US\$ 672.1 mn)
  - Tahal India was awarded a project in the city of Bangalore for a total amount of approx. US\$ 28 mn, consisting of renewal, expansion, upgrading and operation of a water supply network
  - Tahal was awarded a project in the city of Ivanovo, Russia, which is a continuation of the project executed and successfully completed by Tahal
  - Furthermore, a US\$ 60 mn project was awarded for the planning and execution of works for the reconstruction of two waste water and sludge treatment facilities in the city of Kharkiv, the Ukraine
  - Together with a partner Tahal will engage in a large scale agriculture project in Africa, with contract value of US\$ 72 mn
  - Tahal was awarded 3 new projects in India for a total of US\$ 46 mn
- Upon fulfillment of conditions, mainly related to financial closing, signed contracts amounting to US\$ 363 mn will be added to the existing backlog



### Corporate expenses

- Financing expenses increased significantly in 9M 2018 vs 9M 2017, from € 6.9 mn to € 12.2 mn, mainly due to
  - The positive net impact of FX and Israeli CPI on the company's debentures was € 12.7 mn in Q1 2018, but the trend reversed in Q2 and Q3 2018, resulting in negative FX impact and changes in the Israeli CPI of € 7.9 mn and € 3.6 mn respectively
  - Overall the net impact was € 1.2 mn positive in 9M 2018 (9M 2017: € 7.7 mn positive)



## The Netherlands

Floor van Maaren/ Eva Lindner

[investor@kardan.nl](mailto:investor@kardan.nl)

Office: +31 20 305 0010

Kardan N.V.  
De Cuserstraat 85B  
1081 CN AMSTERDAM  
The Netherlands

[www.kardan.nl](http://www.kardan.nl)

## Israel

Ohad Lev

[lev@kardan.com](mailto:lev@kardan.com)

Office: + 972 3 608 3444

Mobile: + 972 54 333 0830

Kardan N.V.  
154 Menachem Begin Rd.  
Tel Aviv 64921  
Israel



## *Q3 and 9M financials*



# Condensed Interim Consolidated Income Statement Kardan N.V. KARDAN N.V.

	9M - 2018	9M -2017	Q3 - 2018	Q3 2017	12M - 2017
Total revenues	74.1	7.1	5.5	2.8	15.0
Total expenses	79.2	16.3	6.9	5.6	28.0
Loss from operations before fair value adjustments, disposal of assets and financial expenses	(5.1)	(9.2)	(1.4)	(2.8)	(13.0)
Gain (loss) from fair value adjustments and disposal of assets and investments, net	(2.1)	(0.4)	-	(0.4)	(3.3)
<b>Result from operations before finance expenses</b>	<b>(7.2)</b>	<b>(9.6)</b>	<b>(1.4)</b>	<b>(3.2)</b>	<b>(16.3)</b>
Financing income (expenses), net	(19.7)	(19.2)	(11.9)	5.3	(27.5)
Equity earnings, net	1.9	10.2	-	1.8	16.4
Profit (loss) before income tax	(25.0)	(18.6)	(13.3)	3.9	(27.4)
Income tax expenses	1.7	1.7	0.5	0.5	5.2
<b>Profit (loss) from continuing operations</b>	<b>(26.7)</b>	<b>(20.3)</b>	<b>(13.8)</b>	<b>3.4</b>	<b>(32.6)</b>
Profit from discontinued operations	4.9	4.2	1.4	1.2	15.2
Profit (loss) for the period	<b>(21.8)</b>	(16.1)	<b>(12.4)</b>	<b>4.6</b>	<b>(17.4)</b>
Attributable to: Non-controlling interests	2.2	(0.3)	0.5	0.5	(0.3)
<b>Profit (loss) for the period attributable to Kardan equity holder</b>	<b>(24.0)</b>	<b>(15.8)</b>	<b>(12.9)</b>	<b>4.1</b>	<b>(17.1)</b>
Other comprehensive income (expense)	(14.9)	(20.6)	(11.1)	(4.2)	(24.6)
<b>Total comprehensive expense attributable to Kardan equity holders</b>	<b>(38.9)</b>	<b>(36.4)</b>	<b>(24.0)</b>	<b>(0.1)</b>	<b>(41.7)</b>





In € millions	For the nine months ended September 30		For the three months ended September 30		For the year ended December 31,
	2018	2017	2018	2017	2017
<b>Real Estate - Development</b>					
Sale of apartments	69.9	2.8	4.0	1.3	9.2
Cost of sales	(66.6)	(2.0)	(2.3)	(0.9)	(8.1)
<b>Gross Profit</b>	<b>3.3</b>	<b>0.8</b>	<b>1.7</b>	<b>0.4</b>	<b>1.1</b>
SG&A expenses	(2.1)	(2.3)	(0.7)	(0.9)	(3.1)
Gain from sale of fixed assets	-	0.8	-	-	0.8
Equity earnings	1.9	10.2	-	1.8	16.4
<b>Operational profit - Real Estate Development segment</b>	<b>3.1</b>	<b>9.5</b>	<b>1.0</b>	<b>1.3</b>	<b>15.2</b>
<b>Real Estate - Investment Property</b>					
Rental revenues	4.2	4.3	1.5	1.5	5.8
Cost of rental revenues	(2.7)	(2.8)	(0.9)	(0.9)	(4.1)
<b>Gross Profit</b>	<b>1.5</b>	<b>1.5</b>	<b>0.6</b>	<b>0.6</b>	<b>1.7</b>
SG&A expenses	(3.2)	(3.9)	(1.4)	(1.3)	(4.9)
Adjustment to fair value (impairment) of investment property	(2.1)	(0.8)	-	-	(4.1)
<b>Operational loss - Real Estate Investment Property segment</b>	<b>(3.8)</b>	<b>(3.2)</b>	<b>(0.8)</b>	<b>(0.7)</b>	<b>(7.3)</b>
<b>Total operational profit (loss) - Real Estate</b>	<b>(0.7)</b>	<b>6.3</b>	<b>0.2</b>	<b>0.6</b>	<b>7.9</b>
Unallocated expense	(1.8)	(2.1)	(0.6)	(0.7)	(2.7)
<b>Profit (loss) before finance expenses and income tax</b>	<b>(2.5)</b>	<b>4.2</b>	<b>(0.4)</b>	<b>(0.1)</b>	<b>5.2</b>
Finance expenses, net	(7.5)	(12.3)	(3.6)	(3.8)	(14.9)
Tax benefits (expenses)	(1.5)	(1.4)	(0.4)	(0.4)	(4.9)
<b>Loss for the period – attributed to Company's shareholders</b>	<b>(11.5)</b>	<b>(9.5)</b>	<b>(4.4)</b>	<b>(4.3)</b>	<b>(14.6)</b>



# Water Infrastructure (discontinued operations)

In € million	For the nine months ended September 30,		For the three months ended September 30,		Full Year
	2018	2017	2018	2017	2017
Contract revenues	117.1	116.5	43.4	42.3	176.4
Contract cost	97.8	100.1	37.2	34.8	152.8
<i>Gross profit</i>	19.3	16.4	6.2	7.5	23.6
SG&A expenses	(12.6)	(10.6)	(3.9)	(3.5)	(12.9)
Equity losses	(0.6)	(0.8)	(0.3)	(0.3)	(1.1)
Gain (loss) on disposal of assets and other income	(0.1)	-	0.4	-	7.8
<b>Result from operations before financing expenses</b>	<b>6.0</b>	<b>5.0</b>	<b>2.4</b>	<b>3.7</b>	<b>17.4</b>
Financing income (expenses), net	(0.9)	0.6	(0.2)	0.3	0.4
Income tax (expenses) benefit	(1.1)	(3.7)	(0.8)	(3.5)	(5.0)
<b>Net Profit</b>	<b>4.0</b>	<b>1.9</b>	<b>1.4</b>	<b>0.5</b>	<b>12.8</b>
Attributable to:					
Non-controlling interest holders	2.2	(0.4)	0.5	0.4	(0.3)
<b>Equity holders (Kardan N.V.)</b>	<b>1.8</b>	<b>2.3</b>	<b>0.9</b>	<b>0.1</b>	<b>13.1</b>



In € million	For the nine months ended September 30,		For the three months ended September 30,		Full Year
	2018	2017	2018	2017	2017
<b>Corporate expenses:</b>					
General and administration expenses	(2.8)	(3.6)	(1.0)	(1.3)	(5.1)
Financing income (expense), net	(12.2)	(6.9)	(8.3)	9.1	(12.6)
Income tax expenses	(0.2)	(0.3)	(0.1)	(0.1)	(0.3)
	<b>(15.2)</b>	<b>(10.8)</b>	<b>(9.4)</b>	<b>7.7</b>	<b>(18.0)</b>
<b>Other activities:</b>					
Profit from discontinued operation (Avis Ukraine)	0.9	2.2	-	0.6	2.4
	<b>0.9</b>	<b>2.2</b>	<b>-</b>	<b>0.6</b>	<b>2.4</b>

